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**ORIGINAL**



September 16, 1998

**Memorandum of Ex Parte Communication**

Ms. Magalie Salas  
Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Dear Ms. Salas:

Re: CC Docket No. 96-262 / Access Charge Reform  
CC Docket No. 94-1 – Price Cap Performance Review for  
Local Exchange Carriers

Today the attached material was delivered to Mr. Jay Atkinson, Mr. Aaron Goldschmidt, Mr. Rich Lerner and Ms. Tamara Preiss of the Commission's Competitive Pricing Division. This material supplements the written information on pricing flexibility in Nevada which was provided to the Commission staff members in an ex parte meeting that took place on Thursday, September 3, 1998 with representatives of SBC Communications, Inc.

We are submitting the original and one copy of this Memorandum to the Secretary in accordance with Section 1.1206(b)(2) of the Commission's rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me at (202) 326-8889 should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jay Bennett".

cc: J. Atkinson, A. Goldschmidt, R. Lerner, T. Preiss

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service if the commission finds that the provider has complied with NAC 704.68492, and that:

1. Regulation of the service by the commission has been preempted by state or federal law or regulation; or
2. The commission finds through a hearing that classification of the service as deregulated is appropriate. Such a finding will be based on the information filed pursuant to NAC 704.6807, and any other factors which the commission determines to be relevant. The commission will hold a hearing to determine if a service should be classified as deregulated in accordance with this subsection upon the application of any person pursuant to NAC 704.68062 or a motion of the commission.

(Added to NAC by Pub. Service Comm'n, eff. 10-25-95)

➔ **704.68076 Approval of rates, terms, and conditions for discretionary service.** If the commission authorizes a service to be classified as discretionary, it will approve minimum and maximum rates, the rates to be charged at the beginning of the service, and the terms and conditions of the service.

(Added to NAC by Pub. Service Comm'n, eff. 10-25-95)

**704.68078 Annual report of certain large providers of last resort.** A large provider of last resort of basic service which has 50,000 or more access lines, which is regulated pursuant to NAC 703.2501 to 703.2688, inclusive, 703.2691 and 703.2711, and which provides a service that has been classified as discretionary, competitive, or deregulated shall include with its annual report:

1. If the service has been deregulated and the provider is not regulated according to the terms of an alternative plan of regulation as set forth in NAC 704.6832 to 704.6847, inclusive, or 704.68474 to 704.68498, inclusive:
  - (a) The direct cost of the service accounted for pursuant to the Uniform System of Accounts; and
  - (b) The method of determining, and the amount of, the common costs and general overhead expenses allocated, as determined pursuant to the apportionment rules set forth in 47 C.F.R. Part 64, as those rules exist on October 25, 1995.
2. If the service has been reclassified as a competitive or discretionary service, and the provider is not regulated according to the terms of an alternative plan of regulation as set forth in NAC 704.6832 to 704.6847, inclusive, or 704.68474 to 704.68498, inclusive:
  - (a) The direct cost of and revenue from the service accounted for pursuant to the Uniform System of Accounts as set forth in 47 C.F.R. Part 32; and
  - (b) The method of determining, and the amount of, the common costs and general overhead expenses allocated to each account of the Uniform System of Accounts as set forth in 47 C.F.R. Part 32.
3. If the service has been reclassified as a competitive or discretionary service, adequate information to verify that the rate charged and the price of each service will recover at least the total service long-run incremental cost associated with that service, consistent with paragraph (e) of subsection 1 of NAC 704.68062.
4. If the service has been reclassified as a competitive or discretionary service and it includes a component classified as an essential service, information sufficient to demonstrate that the price for the service covers the combined tariffed rates for all essential service components plus the total service long-run incremental cost of any component of the service which is not classified as an essential service, consistent with paragraph (f) of subsection 1 of NAC 704.68062.
5. If the provider is not regulated according to the terms of an alternative plan of regulation as set forth in NAC 704.6832 to 704.6847, inclusive, or 704.68474 to 704.68498, inclusive, adequate information to

**704.68078.**

(c) The information and documentation required to be filed with the commission pursuant to NAC 704.7483 for Nevada operations, by jurisdiction as set forth in 47 C.F.R. Part 36 as that part exists on October 25, 1995, including adjustments for those items which the commission had previously ordered to be adjusted. For the purposes of this paragraph, Nevada jurisdictional business includes revenue and cost associated with inside wiring and yellow pages.

(d) The information needed to evaluate the availability and reliability of basic service pursuant to paragraph (f) of subsection 1 of NAC 704.68476.

(Added to NAC by Pub. Service Comm'n, eff. 10-25-95)

**704.68492 Maintenance of separate accounts.** A provider that is authorized by the commission to be regulated pursuant to an alternative plan of regulation shall maintain separate accounts which comply with the provisions of NAC 704.645 and which enable the provider to return to the system of regulation in place for providers which are not regulated under an alternative plan of regulation.

(Added to NAC by Pub. Service Comm'n, eff. 10-25-95)

**704.68494 Depreciation.**

1. A provider that is authorized by the commission to be regulated pursuant to an alternative plan of regulation does not have to file an application to revise its depreciation rates and is not subject to the provisions of NAC 703.2715 to 703.278, inclusive.

2. The provider shall depreciate its investment at a level which is equal to or greater than that allowed by the commission in its last approved depreciation review.

3. If a provider is required to undergo a full rate review at the end of the initial term of the alternative plan of regulation pursuant to NAC 704.68496 or 704.68498, the provider shall report the difference between the amount of depreciation expense booked in the 12-month reporting period and the amount that would have been booked using the commission's last approved rates.

(Added to NAC by Pub. Service Comm'n, eff. 10-25-95)

**704.68496 Termination of participation in plan at end of term.**

1. If a provider decides to terminate its participation in an alternative plan of regulation at the end of the term of that plan, the provider shall file a request to terminate its participation in the plan with the commission not later than 180 days before the end of the term of the provider's authorized participation in the plan. Such a request must include:

(a) A general rate review of operations of the provider for the most recent 12 months for which data is available at the time the request is filed. The general rate review must be in the form specified in NAC 703.2501 to 703.2711, inclusive, for large providers of last resort of basic service or NAC 703.2501 to 703.2509, inclusive, and 703.27116 to 703.27146, inclusive, for small providers of last resort of basic service.

(b) A report on the status of the modernizations, expansions, or improvements of the system which were ordered by the commission when the provider entered into the alternative plan of regulation.

(c) A report on the status of the quality of basic and other essential services.

(d) The analysis required by paragraph (a) of subsection 2 of NAC 704.6849.

2. After a review and hearing by the commission, the commission will issue an order which: